

~~SECRET~~

C E N T R A L   I N T E L L I G E N C E   A G E N C Y

12 November 1954

MEMORANDUM FOR THE INTELLIGENCE ADVISORY COMMITTEE

SUBJECT: NIE 100-5-54, "Consequences of Various Possible Courses of Action with Respect to Non-Communist Controls over Trade with Communist China"

1. This estimate has been requested by the Special Assistant, Intelligence, Department of State, in view of NSC plans to re-examine, about January 1, 1955, US policies on controls over trade with Communist China.

2. Subject to IAC approval to meet this requirement we have drafted terms of reference since relatively little time is available to prepare this estimate.

3. In view of the subject matter, it is imperative that representatives assigned to this estimate have access to special intelligence.

4. Action:

- a. Please be prepared to give your concurrence (or non-concurrence) at the next IAC meeting (16 November).
- b. Subject to affirmative IAC action, please have your representatives meet with the Board on these terms of reference at 2:00 Tuesday, 16 November, in Room 132 South Building.

*Paul A. Borel*

PAUL A. BOREL  
Deputy Assistant Director  
National Estimates

Distribution "A"

~~SECRET~~

SECRET

CENTRAL INTELLIGENCE AGENCY

12 November 1954

SUBJECT: TERMS OF REFERENCE: NIE 100-5-54: CONSEQUENCES OF VARIOUS  
POSSIBLE COURSES OF ACTION WITH RESPECT TO NON-COMMUNIST  
CONTROLS OVER TRADE WITH COMMUNIST CHINA

THE PROBLEM

To estimate the political, economic, and strategic consequences  
to Communist China, Sino-Soviet Relations, and the non-Communist world  
of each of the following courses of action:

- A. Maintenance of present levels of non-Communist controls on  
trade with Communist China, while at the same time relaxing  
controls on trade with the European Soviet Bloc, including  
the Soviet Far East;
- B. Relaxation of present levels of non-Communist controls on  
trade with Communist China to the level maintained on trade  
with the European Soviet Bloc;
- C. Relaxation of present levels of non-Communist controls on  
trade with Communist China to the level maintained on trade

SECRET

*Board Draft*

SECRET

with the European Soviet Bloc, but with the US maintaining a unilateral ban on imports from Communist China.

QUESTIONS BEARING ON THE PROBLEM

I. PRESENT STATUS OF NON-COMMUNIST CONTROLS ON TRADE WITH COMMUNIST CHINA

- A. What controls are now exercised by individual non-Communist countries?
- B. What are the trends in the structure of controls, especially since the Korean truce?
- C. What are the popular and official attitudes in non-Communist countries towards trade and trade controls with and against Communist China?

II. EFFECT OF NON-COMMUNIST CONTROLS ON COMMUNIST CHINA'S TRADE

- A. What have been the trends in the level and pattern of Communist China's trade?

- 2 -

SECRET

**SECRET**

- B. What have been the effects of controls on Communist China's economic development and military capabilities?
- C. What have been the effects of controls on Communist China's relations with the USSR?

**III. TRADE REQUIREMENTS AND CAPABILITIES OF COMMUNIST CHINA AND PRINCIPAL NON-COMMUNIST COUNTRIES**

- A. What will be Communist China's probable policy and capacity with regard to trade? Discuss above in terms of:
  - 1. The organization of Communist China's foreign trade
  - 2. Communist China's import requirements
  - 3. Communist China's export availabilities
  - 4. Communist China's competitive position in trade
- B. What will be the probable policy and capacity of the Soviet Bloc with regard to trade with Communist China?
- C. What will be the probable policies and capacities of principal non-Communist countries with regard to trade with Communist China? Discuss above in terms of:
  - 1. Attractiveness of Chinese Communist market

- 3 -

**SECRET**

SECRET

2. Measures of non-Communist governments to direct, control, or encourage trade with Communist China.

IV. PROBABLE POLITICAL, ECONOMIC, AND STRATEGIC EFFECTS OF EACH OF THE ASSUMED COURSES OF ACTION

- A. What will be the effects on level and pattern of Communist China's trade? Discuss above in terms of:
  1. The terms of trade between Communist China and non-Communist countries
  2. The pattern and maximum level of trade which Communist China would be likely to achieve with non-Communist countries.
- B. What will be the effects within the Soviet Bloc? Discuss above in terms of:
  1. Communist China's economic and military development
  2. Communist China's foreign policy and assessment of US/Western intentions
  3. Communist China's ability to exert pressure on non-Communist countries, particularly Japan
  4. Sino-Soviet relations
- C. What will be the effects in the non-Communist world? Discuss in terms of:
  1. Non-Communist political unity and economic and military strength
  2. Vulnerability of non-Communist countries to Bloc economic warfare.

- 4 -

SECRET